



## **Daito Trust Construction Co., Ltd.**

Financial Results Briefing for the Fiscal Year Ended March 2024

May 2, 2024

## Event Summary

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<b>[Company Name]</b>	Daito Trust Construction Co., Ltd.	
<b>[Company ID]</b>	1878-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement (Medium-Term Management Plan)	
<b>[Event Name]</b>	Financial Results Briefing for the Fiscal Year Ended March 2024	
<b>[Fiscal Period]</b>	FY2024 Annual	
<b>[Date]</b>	May 2, 2024	
<b>[Time]</b>	15:30 – 17:10	
<b>[Venue]</b>	Webcast	
<b>[Participants]</b>	80	
<b>[Number of Speakers]</b>	Kei Takeuchi	President, Representative Director, CEO

On the occasion of our 50<sup>th</sup> anniversary,  
Formulating our purpose for the next 100 years.

Daito Trust Group Purpose

“Link the Trust to Make a  
Better Future.”



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**Takeuchi:** I will now explain the Daito Trust Group’s Medium-Term Management Plan for the period FY2024 to FY2026.

We are very happy to announce that this June marks the 50th anniversary of our company’s founding. On the occasion of our 50th anniversary, we have reflected on the value that our group has provided to society, and we have formulated a new purpose to respond to our customers’ entrustment of us and our ability to do our utmost to meet their expectations. Our company’s purpose is to “Link the Trust to Make a Better Future.”

**Purpose: "Link the Trust to Make a Better Future."**

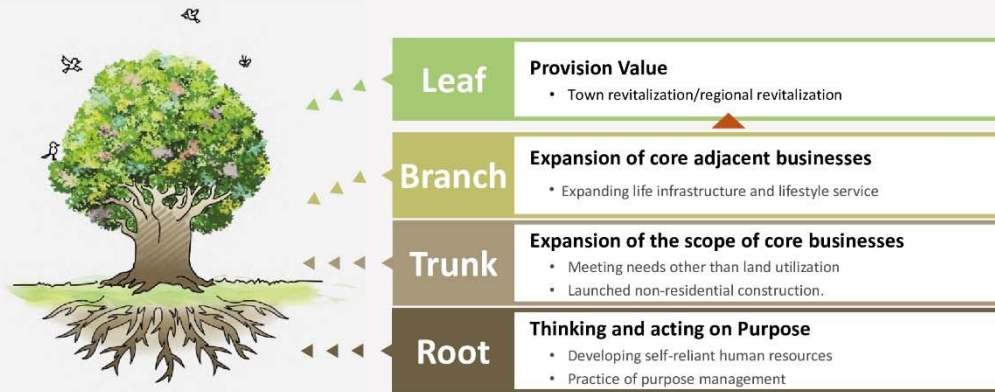
As the first step toward becoming a 100-year company, We define VISION 2030, our vision for 2030, based on our Purpose.



Please see the next page. As you can see, this page shows what kind of company we want to be for the next 50 or 100 years. We have also considered what we can offer our customers and have defined VISION2030 as our vision for 2030.

### 3. What we want to be in 2030 “VISION2030”

- ▶▶▶ Maximize the power of employees and expand the scope of our core business based on purpose-based thinking and action.
- ▶▶▶ As we expand the scope of our core business, our core adjacent businesses such as lifestyle and daily life services.
- ▶▶▶ Connect our core business and adjacent businesses organically and provide an environment where people can live comfortably and prosperously in areas facing issues such as aging, depopulation, and fear of disasters.(town revitalization/regional revitalization)



Please turn to the next page. First of all, our vision for 2030 is represented by this tree. The root of the tree is to take actions based on purpose, to develop human resources that are independent and self-reliant, and to practice purpose management.

From this root, we go on to become the trunk. Regarding the core business part, we are going to deal with areas other than land utilization. We are also considering launching non-residential construction projects.

Further, regarding the branches that spread out from the core business, we intend to expand the core adjacent businesses to become a company that can provide a variety of services, including accommodating the aging population and responding to natural disasters.

As a result, the value we can provide as the leaves is the ability to revitalize towns and create affluent lifestyles for regional revitalization. We have formulated VISION2030 in the hope of providing such an environment.

#### 4. Positioning of the medium-term management plan (FY2024-2026)

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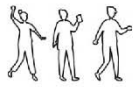
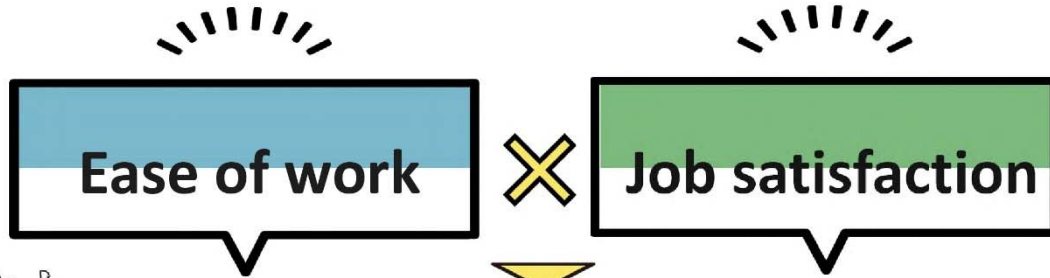
Continuing on with the positioning of VISION2030, we have established a three-year Medium-Term Management Plan. During these three years, we will make a concerted effort as a group to take on new challenges. Then, in the next three years, we will make the final touches; this is our movement toward VISION2030.

- 01 **Promotion of human capital management**
- 02 **Establish a strong core business**
- 03 **Tackling on Focus Areas  
of this Medium-Term Business Plan**



Please turn to the next page. Regarding how we are going to do this, there are three pillars. The first is to promote human capital management, and the second is to further strengthen our strong core businesses. Third, tackling the focus areas of this Medium-Term Management Plan.

01 Promotion of human capital management



Now, please turn to the next page. In promoting human capital management, we believe that the best way to achieve this is to create a workplace environment that is both easy to work and satisfying to work at. By doing so, we aim to maximize our employees' power.



## 01 Promotion of human capital management

- 1 Granting restricted stock to employees.
- 2 Promoting SDGs and solving social issues.
- 3 A work environment where everyone can thrive.



As one example, we are considering granting restricted transferable shares to our employees. We will also promote the SDGs and work to solve social issues. In addition, we will work to create an environment in which everyone can play an active role.

## 4 – (1) – 1. Granting restricted stock to employees.

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### Granting shares to employees

Job satisfaction

Number of subjects	16,000 Group employees
Number of shares granted(total)	386,660 shares
Total amount granted (maximum)	6.8 billion yen
Date of grant	September 2024
Removal of restrictions on transfer	After the end of the medium-term management plan period



**Company growth = employee growth and shared value with shareholders**

I will now explain the first of these, granting restricted stock to employees. This time, all group employees will be eligible, and we are granting 380,000 shares to 16,000 employees for a total of approximately JPY6.8 billion in stock this September. Upon the completion of the three-year period, we intend to raise the share price and have them reap the fruits of that increase.

Naturally, we are proceeding with the granting of the shares based on our belief that the Company will grow as a result of its ability to work in a way that is influenced by the share price and to share value with its shareholders.

**Initiatives to resolve environmental and social issues.**

**Job satisfaction**

Net-Zero Energy Housing



Biomass power generation



Disaster Alliance



**Realizing a sustainable society through our business**

Secondly, we believe that our efforts to solve environmental and social issues will give our employees a sense of job satisfaction. There are three major reasons. This time, we will convert all of our housing products to net-zero energy housing. By selling these net-zero energy houses, we will be able to work toward the RE100 goal.

Thanks to your support, the number of net-zero energy housing contracts has exceeded 81,000 units at this point, and we are now supplying almost 90% of net-zero energy housing. In addition, while solar power is used to generate electricity during the day, we are also working on a biomass power generation project that began full-scale operation in April this year to generate electricity at night from biomass.

Furthermore, in terms of disaster alliance, we have formed a partnership with Daiwa House for disaster response. We hope that this partnership between our company, which is number one in the industry in terms of the number of units managed, and Daiwa, which is number two, will help to promote such a trend in the industry as a whole and that is why we have decided to take this initiative.

## 4-(1)-3. A work environment where everyone can thrive.

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Next, regarding the development of an environment where everyone can thrive, we believe that the first step is to raise the level of engagement in order to improve the ease of working.

To achieve this, we need to create an environment encouraging women to take an active role in the Company. We are also taking the initiative to provide paternity leave for men. Moreover, since the number of employees is decreasing, we are promoting DX by utilizing IT and digital technology to make up for the decline in the number of employees, and we are trying to create an environment that is easy to work in by separating the work that is done by people from the work that can be done by IT and digital technology.

### Various certifications in Japan, increasing employee motivation

Ease of work



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Please turn to page 12. By obtaining external evaluations, we are now working to improve employee motivation.

On the left is the special award for planning at last year's Forbes Japan Woman Award 2023. In the middle is Next Nadeshiko, which is a program by the Ministry of Economy, Trade and Industry selecting 16 companies among listed companies to support dual working and child-rearing.

In addition, we have received White 500 and Kurumin certifications, which we believe will lead to higher employee motivation.

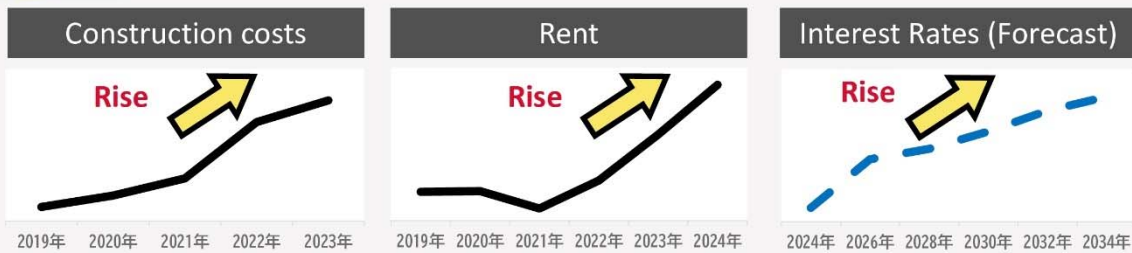
## 02 Establish a strong core business

- 1 Responding to major social changes
- 2 Maintain and expand construction volume
- 3 Virtuous circle from Stock to Flow



Next, I would like to explain the second pillar, the establishment of a strong core business.

**Construction costs, rents, and interest rates are on the rise**

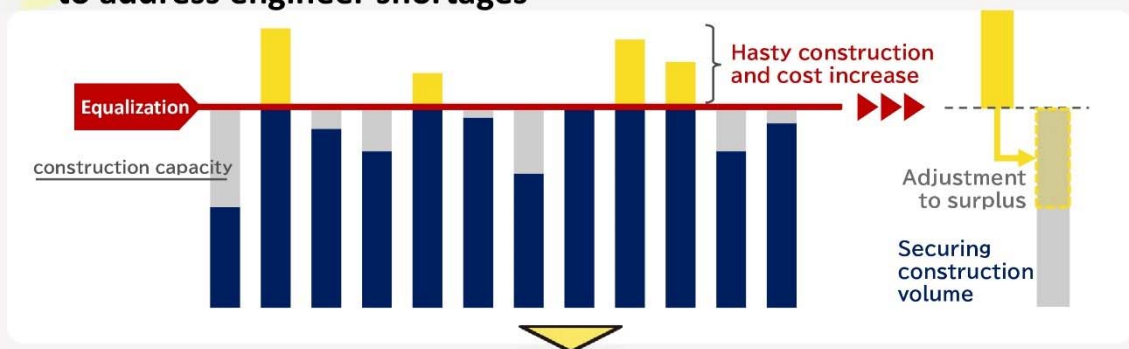


Price revisions due to inflation (construction and rent)

**Yield on rental business, securing our revenue**

Please see the next page. First of all, we are in the midst of a period of rapid social change. With construction costs rising, rents rising, and interest rates expected to rise, we are revising prices and responding in various ways in this inflationary environment, but we must ensure that we can maintain both the yield of our rental business and our earnings. We believe that it is necessary to establish such a system.

**Equalize construction volume throughout a year to address engineer shortages**



- **Controlling rising construction costs**
- **Securing construction volume in response to increased orders**



To this end, please turn to the next page. Until now, we have usually completed construction work in September and March, creating a large mountain of work to be completed. In this case, we need a large number of engineers to complete the work. Recently, the number of engineers has been declining, and we have started to address the shortage of engineers since the last fiscal year.

We are trying to equalize the amount of construction work. In other words, instead of making mountains, as you can see here, the gray areas are vacant. The yellow area is the portion that exceeds the equalization level. We are working to reduce the amount of space in the gray areas that exceed the equalization level.

This will help to reduce construction costs and, of course, ensure a reasonable profit. Since the amount of construction work will be somewhat constant, the contractors will be able to provide a stable amount of work and further improve the quality of the work.

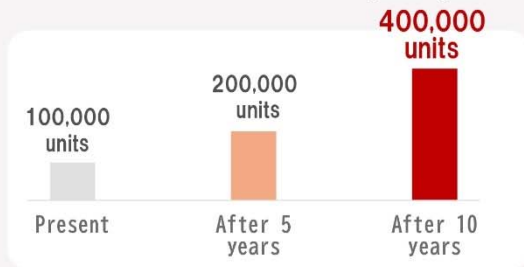
Last fiscal year, the amount of construction work per quarter was almost constant, and this fiscal year, we are working to make the amount of construction work per month constant.



## 4 – (2) – 3. Virtuous circle from Stock to Flow

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Number of buildings over 25 years old will increase rapidly



Rebuilding proposals for a wide variety of managed properties

**Establish an internal ecosystem**

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Next, we are now managing 1.3 million units, thanks to the virtuous cycle from stock to flow. Of these, about 100,000 units are currently over 25 years old, but this number will increase to 200,000 units in 5 years and to 400,000 units in 10 years.

Under these circumstances, in order to shift a portion of this abundant stock for reconstruction, we are creating a variety of systems.

03 **Tackling on focus areas  
of this Medium-Term Business Plan**

1 **Expansion of real estate development business**

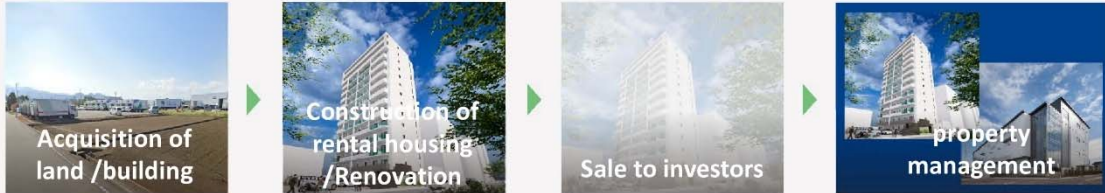
2 **Starting overseas business**

3 **Regional development that is unique to  
Daito Group.**



Continuing on, the third pillar. We are going to focus on the field of property development. We are also planning to start overseas operations. In addition, we are planning to engage in urban development that is unique to our group, which is what we have been building up to now.

**Investment in building and land set sales business  
and renovation and resale business**



**100 billion yen in property investment**

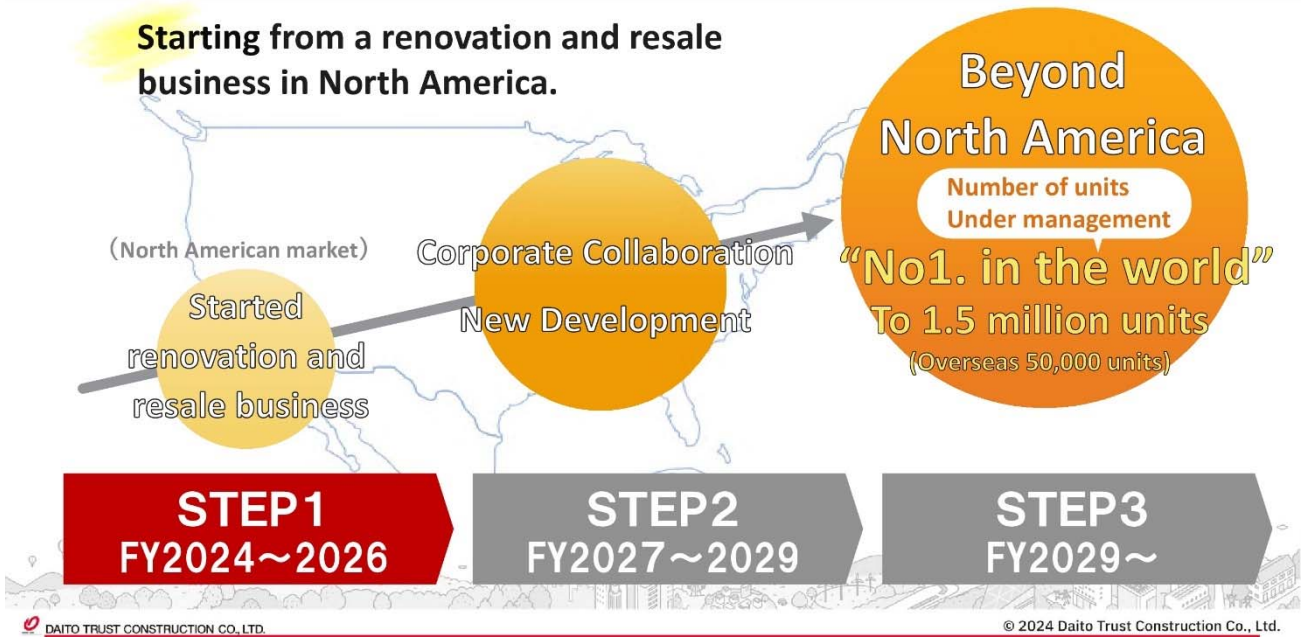
(PSA for large projects are executed at the time of land acquisition)

**Expansion of core business areas,**

**Securing revenue from transaction & management**

We are currently focusing on the build-set business and the renovation and resale business. Purchasing land, building on it, and selling it to investors. Also, selling to funds and other investors. However, since we manage sold properties, the stock under our management will continue to increase, and we are currently targeting approximately JPY100 billion in real estate investments.

This will enable us to expand the scope of our real estate business and acquire earnings from the sale, purchase, and management of properties.



In North America, we spent the last year headhunting people who have overseas business experience, or perhaps I should say, experience with proven track records. We have established the Global Real Estate Development Department, which is now underway.

We are starting with a very low-risk buyback/renovation/resale business in North America, followed by M&A and other corporate alliances to expand our business beyond North America. We are currently waving the banner that we are aiming to become the number one company in the world for units under management, and we would like to expand our business so that we can have 1.5 million units under management.

In fact, we are already number one in the world with 1.3 million units under management, but we are not doing this overseas, so we would like to do as much as possible overseas to become number one globally.

**DK Future Circle : Regional development that is unique to Daito Group.**



**Pursuing regional development that is unique to our group**

Next, regarding regional development that is unique to the Daito Group, we have named it Future Circle. As you can see in the picture on the right, nursing care facilities, childcare facilities, rental housing, logistics facilities, and commercial facilities are currently being provided separately.

So, we have an application called “ruum”. This is currently connected to 1.3 million households, so if these people, for example, those living in rental housing, want to receive nursing care services or childcare facilities and services, we believe we can create a community where these services can be securely connected.

Currently, each region has its own services, but we would like to expand these services to be consistent with one another. Given the declining birthrate and aging population, we believe this will provide a business opportunity in the future.

As the population ages, we believe that there are opportunities for us, and in this sense, the residents of our rental housing are our customers, and we hope that we will be able to link them to nursing care, childcare, group homes, hospice, and other services in the future.

## 5. Financial Strategies and key Indicators

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FY 2026 Target		Net Sales 2tn yen / Operating income 140bn yen / ROE 20%
		Medium-Term Business Plan FY 2024-2026
Financials	Equity Ratio	Maintaining 35% or more
	Debt Equity Ratio	Maintaining below 0.3%
	Long-term debt	Procurement as required
Investment	Capital investment	60bn yen in 3 years (of which, 30bn yen or more in IT and DX investment)
	Business investment	100bn yen or more in 3 years
Shareholder Returns	Payout ratio	Dividend 50%
	Acquisition of treasury stock	Implemented on a flexible basis (to be determined on a single fiscal year basis)

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Please turn to the next page. As a result, we are aiming to achieve net sales of JPY2 trillion, operating income of JPY140 billion, and ROE of 20% by 2026.

As for our financial situation, as you can see here, our first priority is to maintain a capital adequacy ratio of 35% or higher. The D/E ratio is to be maintained at 0.3% or below. As for long-term borrowings, we may be able to procure funds as needed.

Capital investment is expected to total JPY60 billion over the next three years. Of this amount, we are planning to invest approximately JPY30 billion in IT and DX-related areas. In terms of business investment, we will invest more than JPY100 billion over the next three years while maintaining a dividend payout ratio of 50%. Regarding the acquisition of treasury stock, we will make decisions on a per-year basis. Instead of the current policy of waiting until after five years have passed, we will make decisions yearly and implement share buybacks flexibly.

## 6. Non-financial targets

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Key indicators were extracted from material Issues KPIs, focusing on "maximizing the power of employees."

KPI	選定理由	FY2023 (Actual)	FY2026 (target)	FY2030 (target)
① Employee engagement score	Comprehensive index of employees "ease of work" x "job satisfaction"	59.2 (A)	60.7 (A)	62.0 (AA)
② Percentage of female management personnel	Key Indicators of "Ease of Working"	6.5%	8.0%	10.0%
③ Number of project partnerships with municipalities	VISION2030 Promotion Indicators	—	10 locations	30 locations
④ Greenhouse gas emissions reduction rate Scope1+2, 3	Key Indicators of Environmental Responsiveness (ZEH supply and biomass power generation)	Scheduled to be totaled in July	41%	55%
⑤ Percentage of female directors	Respond to Japanese government policy (30% female directors)	8.3%	20%	30%

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Next are the non-financial targets. First of all, the employee engagement score, which is taken annually, will be 60.7 by 2026, and I think we can achieve a little more. We are trying to get an "A" at 60.7.

As for the percentage of female managers, 8%. Regarding the number of project partnerships with municipalities, we are targeting 10 locations for a greenhouse gas emissions reduction rate of 41% and a ratio of 20% of female directors as non-financial targets.

That concludes my explanation of the three-year Medium-Term Management Plan.